

**REPORT OF THE AUDIT OF THE
LETCHER COUNTY
CLERK**

**For The Year Ended
December 31, 2010**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE LETCHER COUNTY CLERK

**For The Year Ended
December 31, 2010**

The Auditor of Public Accounts has completed the Letcher County Clerk's audit for the year ended December 31, 2010. Based upon the audit work performed, the financial statement presents fairly in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees decreased by \$14,798 from the prior year, resulting in excess fees of \$14,320 as of December 31, 2010. Revenues increased by \$334,156 from the prior year and expenditures increased by \$348,954.

Deposits:

The County Clerk's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Jim Ward, Letcher County Judge/Executive
The Honorable Winston Meade, Letcher County Clerk
Members of the Letcher County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Letcher County, Kentucky, for the year ended December 31, 2010. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the year ended December 31, 2010, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated June 21, 2011 on our consideration of the Letcher County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Jim Ward, Letcher County Judge/Executive
The Honorable Winston Meade, Letcher County Clerk
Members of the Letcher County Fiscal Court

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Letcher County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

June 21, 2011

LETCHER COUNTY
WINSTON MEADE, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2010

Revenues

State Fees For Services	\$	8,796	
Fiscal Court			7,029
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	944,088	
Usage Tax		1,782,145	
Tangible Personal Property Tax		1,922,700	
Other-			
Fish and Game Licenses		4,351	
Marriage Licenses		7,917	
Veteran's Fund		442	
Affordable Housing Trust		20,820	
Deed Transfer Tax		14,997	
Delinquent Tax		384,681	5,082,141
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts		12,419	
Real Estate Mortgages		4,643	
Chattel Mortgages and Financing Statements		60,522	
Powers of Attorney		1,158	
All Other Recordings		23,943	
Charges for Other Services-			
Candidate Filing Fees		2,830	
Postage		1,520	
Copywork		43,796	150,831
Other:			
Miscellaneous		15,420	
Overpayments		18,159	33,579
Interest Earned			1,846
Total Revenues			5,284,222

The accompanying notes are an integral part of this financial statement.

LETCHER COUNTY
 WINSTON MEADE, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 705,001

Usage Tax 1,728,556

Tangible Personal Property Tax 685,364

Licenses, Taxes, and Fees-

Fish and Game Licenses 4,146

Delinquent Tax 39,533

Legal Process Tax 20,568

Affordable Housing Trust 20,820 \$ 3,203,988

Payments to Fiscal Court:

Tangible Personal Property Tax 181,114

Delinquent Tax 41,206

Deed Transfer Tax 14,247 236,567

Payments to Other Districts:

Tangible Personal Property Tax 979,505

Delinquent Tax 186,911 1,166,416

Payments to Sheriff 27,778

Payments to County Attorney 49,171

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries 295,869

Employee Benefits-

Employer's Share Social Security 27,315

Employer's Share Retirement 60,303

Employer's Paid Health Insurance 43,813

The accompanying notes are an integral part of this financial statement.

LETCHER COUNTY
 WINSTON MEADE, COUNTY CLERK
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

Expenditures (Continued)

Operating Expenditures and Capital Outlay: (Continued)

Contracted Services-			
Indexing	\$	4,606	
Materials and Supplies-			
Office Supplies		5,781	
Other Charges-			
Conventions and Travel		2,558	
Dues		1,020	
Postage		1,807	
Utilities		5,156	
Overpayments		18,139	
Miscellaneous		19,503	
Capital Outlay-			
Office Equipment		<u>2,000</u>	\$ 487,870
Debt Service:			
Lease Purchases			<u>9,347</u>
Total Expenditures			<u>\$ 5,181,137</u>
Net Revenues			103,085
Less: Statutory Maximum			<u>81,541</u>
Excess Fees			21,544
Less: Expense Allowance		3,600	
Training Incentive Benefit		<u>3,624</u>	<u>7,224</u>
Excess Fees Due County for 2010			14,320
Payments to Fiscal Court - January 17, 2011		12,000	
June 21, 2011		<u>2,320</u>	<u>14,320</u>
Balance Due Fiscal Court at Completion of Audit			<u><u>\$ 0</u></u>

The accompanying notes are an integral part of this financial statement.

LETCHER COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2010

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2010 services
- Reimbursements for 2010 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2010

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

LETCHER COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2010
(Continued)

Note 2. Employee Retirement System

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.16 percent for the first six months and 16.93 percent for the last six months.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Letcher County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The Letcher County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2010, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

LETCHER COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2010
(Continued)

Note 4. Grants

A. Local Records Grant

The Letcher County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$19,283. There were no expenditures during the year. The unexpended grant balance was \$19,283 as of December 31, 2010.

B. Coal Severance Grant

The Letcher County Clerk's Office entered into a Memorandum of Agreement with the Department for Local Government and the Letcher County Fiscal Court. The 2008 General Assembly enacted House Bill 406 and 410 authorizing certain Local Government Economic Development Fund projects for local administration through a local grant program. The Letcher County Clerk's Office project was funded \$30,000. The funds shall be used by the Letcher County Clerk's Office for expenditures that include but not limited to the expansion of the deed room and purchase of computers. Funds were received and deposited in a separate account on August 28, 2009. The beginning fund balance totaled \$5,918. The fund expenditures totaled \$5,845 during the year. The unexpended grant balance was \$73 as of December 31, 2010.

Note 5. Lease Agreements

The Office of the County Clerk was committed to the following lease agreements. The total principal and interest balance of these agreements was \$13,343 as of December 31, 2010.

- A. The County Clerk's office committed to a lease agreement with Xerox for two new copiers on April 18, 2007. The terms of the leases are 60 monthly payments of \$492 with the lease maturing April 2012. The Clerk's office made payments of \$6,847 during calendar year 2010 on this lease, leaving a balance of \$6,268 as of December 31, 2010.
- B. On August 13, 2008, the County Clerk's office entered into a lease agreement with Software Management, Inc for the use of the CCLIX Software. The terms of the lease are 60 monthly payments of \$200 with the lease maturing August 12, 2013. The County Clerk's office made payments of \$2,500 during calendar year 2010, leaving a balance of \$6,100 as of December 31, 2010.
- C. The County Clerk's office entered into a lease agreement with Pitney Bowes on July 25, 2006 for the use of a postage meter. The terms of the lease are 20 quarterly payments of \$195 with the lease maturing July 2011. The Clerk's office made payments of \$780 during calendar year 2010, leaving a balance of \$975 as of December 31, 2010.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Jim Ward, Letcher County Judge/Executive
The Honorable Winston Meade, Letcher County Clerk
Members of the Letcher County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Letcher County Clerk for the year ended December 31, 2010, and have issued our report thereon dated June 21, 2011. The County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Letcher County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County Clerk's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



The Honorable Jim Ward, Letcher County Judge/Executive
The Honorable Winston Meade, Letcher County Clerk
Members of the Letcher County Fiscal Court

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Letcher County Clerk's financial statement for the year ended December 31, 2010, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Letcher County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

June 21, 2011

